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Goldmark Minerals Ltd.

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Annual Report 1984

C O R P O R A T E I N F O R M A T I O N

Board of Directors:

D. Harvey Bickell
Calgary, Alberta

Robert W. Lamond
Calgary, Alberta

Charles A. Teare
Calgary, Alberta

Georg R. Nikel
Calgary, Alberta

Glen A. Phillips
Calgary, Alberta

Officers:

D. Harvey Bickell - President
and Chief Executive Officer

Allan R. Twa - Corporate
Secretary

Charles A. Teare - Assistant
Treasurer

Head Office:

#600, 510 - 5 Street S.W.
Calgary, Alberta T2P 3S2

Field Office:

P.O. Box 529
Dawson City, Yukon Y0B 1G0

Legal Counsel:

Burnet, Duckworth & Palmer
32nd Floor, Esso Plaza, East Tower
425 - 1st Street S.W.
Calgary, Alberta T2P 3L8

Auditors:

Thorne Riddell
Suite 1200, Bow Valley Square 2
205 - 5th Avenue S.W.
Calgary, Alberta T2P 2W4

Registrar and Transfer Agent:

The Canada Trust Company
505 - 3rd Street S.W.
Calgary, Alberta T2P 3E6

The Canada Trust Company
Vancouver, British Columbia

Cover Illustration:

The cover illustration, showing
medieval mining for alluvial metals,
is taken from Book VIII of Georgius
Agricola's De Re Metallica, first
published in 1556. Letters identify
tools as employed at that time.

ANNUAL MEETING

April 26, 1985 - 2:00 p.m.
Esso Plaza, East Tower
32nd Floor, 425 - 1st Street S.W.
Calgary, Alberta, Canada

GOLDMARK MINERALS LTD.

REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present this report for the year ended December 31, 1984.

Despite a continued decline in gold prices, the Company was able to significantly increase the level of mining activity while maintaining an active exploration program on Goldmark's very large inventory of mineral claims. The Company's working capital continued to increase during the year and several transactions subsequent to the end of the report period, if completed, will add substantially to this position.

FINANCIAL

As in 1983, the Company experienced a loss of \$0.02 per share. While total revenues in 1984 increased to \$415,057 as compared to \$172,869 in 1983, expenses increased to \$427,171 in 1984 from \$191,515 a year earlier. The resulting loss for the year was \$114,378 compared to \$80,736 in 1983.

Working capital at December 31, 1984 stood at \$135,030; a substantial improvement over the \$16,303 reported a year earlier. A total of \$136,571 was realized from the issuance of shares for forgiveness of a debt relating to a loan made to the Company by its president and the exercising of stock purchase options by several of the key employees.

A further increase in the working capital is anticipated to result from ongoing negotiations for the sale of the Company's interests in Thistle Creek, Yukon, the recovery of previously written-off accounts receivable and through the sale of surplus assets.

MINING AND EXPLORATION ACTIVITIES

The Company's major assets are located 100 km southwest of Dawson City, Yukon where Matson Creek cuts a large outcropping of gold bearing Klondike Schist. The mining properties consist of a 600 acre prospecting lease and 10,000 acres of placer mining claims; 92 percent of which are 100 percent Goldmark working interest and the remainder are owned by the Company-operated "Val d'Or" joint venture in which Goldmark retains a 1/12 working interest and a 25 percent net profits carried interest.

Mining operations on Matson Creek commenced in late 1978. During the following two years, gold recoveries totalled approximately 5,000 ounces but conventional exploration techniques were unsuccessful in delineating extensions to that deposit.

A major core drilling program undertaken in 1983 yielded important clues as to the very complex depositional pattern of the gold-rich creek gravels. Augmented by geophysical equipment, exploration work was resumed in April 1984.

Following a successful bulk sampling program, a 100 m by 150 m area was stripped of overburden. The underlying gravels were thawed and sluiced to recover 992 (898 net to Goldmark) ounces of raw gold. There is strong evidence that more than 50 percent of the gold within the short section of this deposit, tested in 1984, lies immediately adjacent to the mined area and remains to be recovered in 1985.

The season's drilling program, which was completed on September 30, 1984, saw approximately 2,000 linear feet of core recovered from areas other than the test site. Approximately 43 percent of this drilling was on the joint venture lands and the remainder was on Goldmark's claims and leases. The exploration program also included a number of trenches to examine the sub-surface gravels in greater detail. While the exploration program contributed greatly to the understanding of the location and nature of the complex series of gravel deposits, the gold reserves therein must be classified as "inferred" until additional drilling is undertaken to map the deposits in greater detail.

The 1984 operating costs of \$356,387 include, in addition to the direct mining expenses, the cost of a major portion of the geophysical, drilling and trenching programs as well as the bulk sampling and the construction of a new settling pond system.

As the result of recent relaxations of Federal Government water use regulations, Goldmark has been granted authorization to use high pressure water jets to remove overburden material from the areas which the Company wishes to mine in 1985 and 1986. While this will require some expansion of existing settling pond volumes, the anticipated cost savings over alternate mechanical processes is expected to be very significant.

Operations for the 1985 mining season are scheduled to commence on or about April 15, 1985. After additional bulk sampling and a review of economic considerations, including prevailing trends in gold prices, the Company's management personnel will be making their recommendations to the Board concerning the scale of mining operations on both the Matson Project and the joint venture Val d'Or Project on Matson Creek.

Should Goldmark be unsuccessful in vending its wholly owned and joint venture assets at Thistle Creek, it is proposed that between 15,000 and 30,000 cubic yards of prepared gravels will be mined during the summer of 1985.

GENERAL

While substantial reductions were made in the general and administrative expenses and long term liabilities were eliminated during 1984, still further cuts in overhead costs are anticipated for 1985.

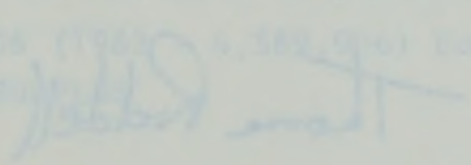
The Board is in unanimous agreement that, should recent dramatic drops in gold prices continue, the Company must be in a position to maintain the substantial mineral claim and equipment inventory which Goldmark has. Both the governments and the central banks of Canada and the U.S. are expressing increasing concern about high interest rates and increasing exchange rates with other currencies; factors which have adversely affected gold prices in recent years.

On the advise of the Directors, the Company has recommended to the Shareholders, approval of resolutions that would allow the Company to pay dividends at an earlier time and more easily raise additional equity financing, should future conditions so dictate.

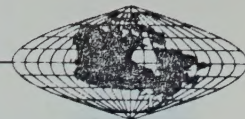
Presented on behalf of the Board

D. Harvey Rickell, President

March, 1985



Chartered Accountant



AUDITORS' REPORT

To the Shareholders of
Goldmark Minerals Ltd.

We have examined the balance sheet of Goldmark Minerals Ltd. as at December 31, 1984 and the statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
March 18, 1985

Chartered Accountants

GOLDMARK MINERALS LTD.

BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS

	<u>1984</u>	<u>1983</u>
CURRENT ASSETS		
Cash and term deposits	\$ 87,407	\$ 69,739
Due from joint venture partners	17,677	81,042
Accounts receivable	47,311	50,487
Current portion of shareholder loans (note 2)	19,071	19,071
Mineral inventories	4,156	-
Prepaid expenses	4,698	889
	<u>180,320</u>	<u>221,228</u>
SHAREHOLDER LOANS (note 2)	53,787	72,858
MINERAL PROPERTIES AND EQUIPMENT (note 3)	<u>744,496</u>	<u>821,959</u>
	<u>\$ 978,603</u>	<u>\$1,116,045</u>

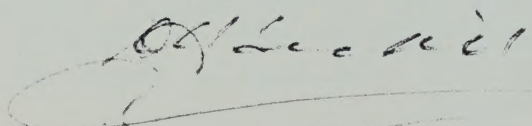
LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 45,290	\$ 80,058
Mortgages payable	-	104,071
Obligations under capital leases	-	20,796
	<u>45,290</u>	<u>204,925</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)		
Authorized		
10,000,000 Common shares without nominal or par value		
Issued		
5,119,006 (1983 - 4,589,006) Common shares	3,062,958	2,926,387
CONTRIBUTED SURPLUS	43,036	43,036
DEFICIT	(2,172,681)	(2,058,303)
	<u>933,313</u>	<u>911,120</u>
	<u>\$ 978,603</u>	<u>\$1,116,045</u>

Approved by the Board



Director

Director

GOLDMARK MINERALS LTD.
STATEMENT OF EARNINGS AND DEFICIT
YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
Revenue		
Gold sales, net of royalties	\$ 355,765	\$ 15,725
Management fees	18,524	62,639
Equipment rentals	35,106	91,704
Interest	5,662	2,801
	<u>415,057</u>	<u>172,869</u>
Expenses		
Operating	356,387	62,285
General and administrative	68,448	108,837
Interest on capital leases	1,251	3,465
Other interest	333	12,588
Provision for doubtful accounts	752	4,340
	<u>427,171</u>	<u>191,515</u>
Funds applied to operations	<u>12,114</u>	<u>18,646</u>
Charges not requiring funds		
Gain on sale of property and equipment	(4,812)	(90,866)
Depreciation and depletion	107,076	152,956
	<u>102,264</u>	<u>62,090</u>
LOSS FOR THE YEAR	114,378	80,736
DEFICIT AT BEGINNING OF YEAR	<u>2,058,303</u>	<u>1,977,567</u>
DEFICIT AT END OF YEAR	<u><u>\$2,172,681</u></u>	<u><u>\$2,058,303</u></u>
LOSS PER SHARE, based on the weighted average number of shares outstanding during the year	<u><u>\$(0.02)</u></u>	<u><u>\$(0.02)</u></u>

GOLDMARK MINERALS LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
WORKING CAPITAL DERIVED FROM		
Issue of common shares	\$136,571	\$ -
Reduction in shareholder loans	19,071	19,071
Disposition of property and equipment	5,238	148,275
Due from joint venture partner	-	261,976
	<u>160,880</u>	<u>429,322</u>
WORKING CAPITAL APPLIED TO		
Operations	12,114	18,646
Additions to mineral properties and equipment	30,039	244,498
Reduction in obligations under capital leases	-	20,796
	<u>42,153</u>	<u>283,940</u>
INCREASE IN WORKING CAPITAL	118,727	145,382
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	<u>16,303</u>	<u>(129,079)</u>
WORKING CAPITAL AT END OF YEAR	<u>\$135,030</u>	<u>\$ 16,303</u>

GOLDMARK MINERALS LTD.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1984

1. ACCOUNTING POLICIES

(a) Mineral Properties

All costs of mineral leases and claims including exploration and development expenditures related to such properties are capitalized, as incurred, by area of interest. The ultimate recovery of these expenditures is dependent on discovering commercially viable reserves. Depletion and amortization of such expenditures is provided on the unit-of-production method at such time as, and if, commercial production commences from an area of interest.

Funds generated from mineral production prior to the commencement of commercial production are deducted from expenditures incurred on the properties in the development period.

Net costs accumulated on abandoned or surrendered mineral leases and claims are charged to earnings at such time as the properties are deemed to be uneconomic.

(b) Equipment

Mining equipment, vehicles, a barge, equipment under capital leases and other fixed assets are depreciated, on a straight-line basis, over their estimated economic lives which range from two to ten years.

(c) Joint Venture Operations

The accounts reflect only the Company's interest in the Company's exploration and development activities related to placer gold mining which are conducted jointly with others.

(d) Mineral Inventories

Mineral inventories consist of the Company's share of gold recovered from operations to date and are recorded at the London closing gold price on the last day of the month during which the gold was mined. Since final settlements will be made at prices prevailing at a future date the amounts eventually received by the Company may vary from the amounts shown.

GOLDMARK MINERALS LTD.
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 1984

2. SHAREHOLDER LOANS

The shareholder loans were made to directors of the Company (one of whom is also an officer) are non-interest bearing and are repayable as follows:

1985	-	\$19,071
1986	-	19,071
1987	-	11,571
1988	-	11,571
1989	-	11,574

3. MINERAL PROPERTIES AND EQUIPMENT

	1984			1983
		Accumulated Depreciation and Depletion	Net	Net
Mineral leases and claims	\$ 199,331	\$ 1,769	\$197,562	\$197,140
Deferred expenditures	417,343	47,452	369,891	360,999
	616,674	49,221	567,453	558,139
Mining equipment	679,140	603,668	75,472	134,685
Vehicles	29,849	29,849	-	-
Barge	98,598	94,691	3,907	23,626
Other	142,412	44,748	97,664	105,509
	<u>\$1,566,673</u>	<u>\$822,177</u>	<u>\$744,496</u>	<u>\$821,959</u>

4. INCOME TAXES

At December 31, 1984 the Company had, subject to confirmation by tax authorities, exploration and development costs and undepriciated capital costs of approximately \$2,118,000. This amount exceeds related amounts reflected in the financial statements by \$1,388,000 and is deductible at varying rates from certain future income otherwise taxable. The income tax effect of the foregoing is not recognized in the financial statements.

GOLDMARK MINERALS LTD.
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 1984

5. CAPITAL STOCK

(a) Changes in the capital stock of the Company during the year were as follows:

	Number of Shares	Consideration
Balance, December 31, 1983	4,589,006	\$2,926,387
Issued on exercise of employee stock options	130,000	32,500
Issued in settlement of mortgages payable to a director and senior officer	<u>400,000</u>	<u>104,071</u>
Balance, December 31, 1984	<u><u>5,119,006</u></u>	<u><u>\$3,062,958</u></u>

(b) As of December 31, 1984, there were 309,000 common shares of the Company reserved for exercise of director stock options to February 29, 1989 at an exercise price of \$0.25 per share. These options were granted pursuant to directors' option agreements.

6. RELATED PARTY TRANSACTIONS

(a) During the year the Company entered into a leasing agreement with a company owned by a director and officer of the Company. The leasing agreement was for the rental of an airplane and charges for the year ended December 31, 1984 amounted to approximately \$17,500.

(b) The Company paid \$7,500 to a director and officer of the Company for consulting and administrative services.

(c) Reference is made to note 2.

7. REMUNERATION TO DIRECTORS AND OFFICERS

During 1984 the Company did not pay any remuneration to its directors in their capacity as directors and paid \$95,800 (1983 - \$71,652) to its five highest paid employees and officers.

